



MICHIGAN DEPARTMENT OF HUMAN SERVICES



Financial Services Administration

Senate Appropriations Subcommittee on DHS Budget—

October 15, 2013

TANF Maintenance of Effort

TANF Maintenance of Effort (MOE) Requirements

2

- States must maintain an effort of state spending at 80% of the amount spent on TANF eligible families for TANF eligible purposes in 1994. (\$499.8 million for Michigan).
- If states meet minimum federal work participation rate targets, their mandatory state effort is reduced to 75% (\$465.8 million for Michigan).

TANF Contingency Fund MOE Requirement

3

- The original TANF law provided a \$2 billion Contingency Fund to assist states in meeting the need for welfare assistance during periods of economic downturn.
- Michigan has met the economic triggers since Fiscal Year 2008 and subsequently qualified for and claimed over \$600 million in TANF Contingency and Emergency Contingency Funds over the past five years (FY 2008-FY 2012).
- For years in which TANF Contingency Funds are available, states must meet a **100% MOE requirement** and satisfy a match requirement.

FY 2013 TANF Contingency Award

4

- The Contingency Fund was projected to run out of money after FY 2012, but Michigan unexpectedly received an award of \$67.8 million for FY 2013.
- There was a significant loss in TANF MOE-countable spending at the state level when the State Earned Income Tax Credit dropped from 20% of the Federal EITC to 6% of the federal EITC (a loss of ~ \$190 million in MOE countable spending).
- The state budget did not include sufficient state spending to meet the higher 100% MOE requirement plus matching requirements to retain the \$67.8 million Contingency Fund grant.

A Long Shot

5

- Despite the significant drop in TANF MOE eligible spending, DHS made a decision to issue a Request for Proposal to hire a contractor to assist the state in identifying additional state MOE spending in an effort to retain the \$67.8 million TANF Contingency Fund grant.
- A single proposal was received in response to the RFP from Public Consulting Group (PCG) out of Boston, MA. PCG is the consulting firm DHS contracted with for the previous 5 years, with excellent results.

Contract Terms

6

- Contract Period: March 6, 2013 through December 31, 2013
- PCG was tasked with identifying and documenting \$231 million in TANF MOE-claimable State and third-party expenditures claims as the additional MOE and match required to receive the TANF Contingency Funds.
- The contract is contingency-based, meaning PCG will be paid a percentage of the additional revenues realized as follows:

Revenue Retained	Contingency Fee	Maximum Price
First \$500,000	20.00%	\$100,000
\$500,001-\$5 million	15.00%	\$750,000
\$5 - \$25 million	7.00%	\$1,750,000
\$25 - \$50 million	5.00%	\$2,500,000
\$50 - \$69.1 million	3.93%	\$2,715,600

Project Approach

7

- Explore spending at state agencies and third party service providers throughout the state.
- Confirm that the expenditures meet the following requirements:
 - Program fulfills one of the four TANF goals.
 - Funds are public expenditures or are from a nonprofit organization.
 - Expenditures exceed state spending on the same program in FY 1995, if the new spending test applies.
 - Funds are expended on needy families.
 - Revenue source does not originate with the Federal Government.
 - Expenditures are not used as State Match or MOE for another federal program; and
 - Program is not part of the free and public education system.

Project Approach, Continued

8

- Assess each new opportunity's "strength" and categorize as High, Moderate or Low depending on precedence set by other states and/or specific guidance from the federal Administration for Children and Families.
- Determine the implementation difficulty based on the availability and precision of the data and whether the spending is considered "assistance" and therefore not claimable without triggering recipient time clocks and work participation requirements.
- Collect and verify data.
- Calculate available TANF MOE for each program.
- Document all required claim information to support federal reporting and to explain claiming steps to auditors.

Preliminary Results

9

- Between April and September 2013, PCG (often accompanied by DHS staff) met in-person or by Web-Ex and collected information on 130 organizations throughout the state.
- The organizations could be categorized into the following types:
 - State Government Agency
 - Local Government Agency
 - Foundations (statewide or national)
 - Community Foundations
 - Associations
 - Educational Institutions
 - Food Banks
 - Law/Legal Aid Organizations
 - Non-Profit Organizations
 - Religious Organizations
 - United Way

Preliminary Results, Continued

10

- As of PCG's last biweekly status report on 9/27/13, they had identified and verified ~\$108 million in spending from other state agency and third party organizations.
- DHS is still at least \$36 million short of meeting the required 100% MOE requirement and at least \$70 million short of meeting MOE and the required match.
- Based on these results, it's highly unlikely that DHS will be able to draw down and retain the \$68 million TANF Contingency Funding.

Barriers to Establishing MOE Claims

11

- Limited data available
- Low dollar amount
- Audit vulnerable
- Reluctant to participate or provide data (e.g., confidentiality or legal concerns)
- Failed TANF family test
- Would count as TANF assistance
- Risk of double-counting
- Risky claim (no precedent for claim; no ACF guidance)
- No unmatched expenditures
- Programs do not meet a TANF goal
- Umbrella organization – does not provide direct services
- Requested compensation in return